



BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

JEFF HATCH-MILLER, Chairman
WILLIAM A. MUNDELL
MIKE GLEASON
KRISTIN K. MAYES
GARY PIERCE

In the matter of:

PERRY and TERRY PENNY, husband and
wife,
Gilbert, Arizona

PENNY FINANCIAL, INC., a Michigan
corporation,
Gilbert, Arizona

PENNY PROPERTIES, INC., a Michigan
corporation,
Gilbert, Arizona

RYM TECHNOLOGY HOLDINGS, L.L.C., a
Michigan limited liability company,
Birmingham, MI

FELIX L. DANIEL SR. and JANE DOE
DANIEL, husband and wife,
Birmingham, MI

Respondents.

DOCKET NO. S-20509A-07-0043

**TEMPORARY ORDER TO CEASE AND
DESIST AND NOTICE OF OPPORTUNITY
FOR HEARING**

ARIZONA CORPORATION COMMISSION
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NOTICE: THIS ORDER IS EFFECTIVE IMMEDIATELY

EACH RESPONDENT HAS 20 DAYS TO REQUEST A HEARING

EACH RESPONDENT HAS 30 DAYS TO FILE AN ANSWER

The Securities Division ("Division") of the Arizona Corporation Commission
("Commission") alleges that RESPONDENTS PERRY PENNY, TERRY PENNY, PENNY
FINANCIAL, INC., PENNY PROPERTIES, INC., RYM-TECHNOLOGY HOLDINGS, L.L.C.

1 FELIX L. DANIEL SR. and JANE DOE DANIEL engaged in or are about to engage in acts and
2 practices that constitute violations of A.R.S. § 44-1801, *et seq.*, the Arizona Securities Act
3 (“Securities Act”), and that the public welfare requires immediate action.

4 **I.**

5 **JURISDICTION**

6 1. The Commission has jurisdiction over this matter pursuant to Article XV of the
7 Arizona Constitution and the Securities Act.

8 **II.**

9 **RESPONDENTS**

10 2. PERRY PENNY who resides in Gilbert, Arizona was at all relevant times an
11 incorporator of PENNY FINANCIAL, INC. and PENNY PROPERTIES, INC. two Michigan
12 corporations. PERRY PENNY is married to TERRY PENNY.

13 3. TERRY PENNY who resides in Gilbert, Arizona was at all relevant times an
14 incorporator of PENNY FINANCIAL, INC. and PENNY PROPERTIES, INC. two Michigan
15 corporations. TERRY PENNY is married to PERRY PENNY.

16 4. PENNY FINANCIAL, INC. (“PENNY FINANCIAL”) has been a Michigan
17 corporation since 2004. PERRY and TERRY PENNY were the incorporators of PENNY
18 FINANCIAL. PENNY FINANCIAL has not filed for authority to conduct business in Arizona
19 through the Arizona Corporation Commission, Corporations Division.

20 5. PENNY PROPERTIES, INC. (“PENNY PROPERTIES”) has been a Michigan
21 corporation since 2003. PERRY and TERRY PENNY were the incorporators of PENNY
22 PROPERTIES. PENNY PROPERTIES has not filed for authority to conduct business in Arizona
23 through the Arizona Corporation Commission, Corporations Division.

24 6. RYM TECHNOLOGY HOLDINGS, L.L.C. (“RYM”), organized as a Michigan
25 limited liability company since about 2003. RYM is based in Michigan. The Resident Agent for
26 RYM is FELIX L. DANIEL SR.

1 opportunity of owning their property "free and clear in only 5 years." According to the
2 RESPONDENTS, the 5 Years to Freedom Program helps home owners become debt free in a few
3 years.

4 17. According to the RESPONDENTS websites and representations, to become debt
5 free in a short period of time, the investors invest 25% - 45% of the equity¹ in their homes. The
6 funds are then sent to the PERRYYS in two checks; one check is 2% of the mortgage amount payable
7 to the PERRYYS for their commission and the second check is payable to RYM for the amount of the
8 investment.

9 18. Once there is an agreement to invest, the investors receive investments
10 documentation from RYM that includes a "Self-Amortizing Conditional Payment Note" ("Note")
11 and a "Property Maintenance Terms and Conditions Agreement" ("Property Agreement"). The Note
12 is executed by DANIEL, on behalf of RYM, for the benefit of the investor. The Property Agreement
13 is between RYM as "Agent" for the investor who were the "Holder."

14 19. The offerees and investors are given offering documents stating that their funds will
15 be invested by a reputable investment firm, with a guaranteed return on investment. The offering
16 documents state that the investment funds are placed "in an account that generates large profits" and
17 "there is no involvement with risky investments."

18 20. The PERRYYS represent to offerees that their investments will be invested in new
19 developments, condo conversions and in the international trade market. In fact, the PERRYYS stated
20 to at least one offeree that RYM has a contract with FEMA for some waterfront re-development in
21 New Orleans. They further represented to the same offeree that RYM is doing condo conversions in
22 the Mediterranean.

23 21. It is represented to offerees and investors that the investments made by the
24 RESONDENTS to cover the costs of the 5 Year Program are invested in an account that generates
25
26

¹ The investor can have the equivalent amount of cash or the investors are encouraged to refinance their mortgages to pull out their equity to make the investment.

1 large profits with limited risks. Further, the offerees and investors are informed that the investments
2 that would be made with their funds would be similar to those in which insurance companies invest.

3 22. The offerees are told that RYM will double the investors' money within six months
4 by investing in condominium conversions. If RYM invested in the international markets, RYM
5 would earn 15 to 20 percent return per week.

6 23. RESPONDENTS provide offering documentation to offerees, either through the
7 mails, telephonically, in person or on the internet representing once the investment is made, the first
8 six months of mortgage payments will be paid, then the investors will receive half of their mortgage
9 payments for the term of the Note (four, five or six years). Upon maturity of the Note, the investors
10 will receive a balloon payment that the investors can use to pay off their mortgage. Offerees and
11 investors are told that the cost of the 5 Year Program, plus interest is "fully guaranteed." In fact, the
12 RESPONDENTS have represented to at least one offeree that this program is guaranteed and low
13 risk. The RESPONDENTS offer several other programs that use the 5 Years to Freedom Program as
14 the basis of the investments; Millionaire Action Plan and the Real Estate Investor's Millionaire
15 Action Plan.

16 24. On October 29, 2006, the Enforcement Director for the Utah Division of Securities
17 of the Department of Commerce contacted TERRY PERRY and informed her that the "5 Years to
18 Freedom" program was a security and that the RESPONDENTS needed to be licensed to offer and
19 sell the program. TERRY PERRY responded that she did not believe the program was a security.
20 TERRY PERRY indicated that all the PERRYS did was market the program and qualify the clients.
21 The notes were signed by DANIEL on behalf of RYM. TERRY PERRY was informed that she
22 needed to be licensed as a securities salesman and she should contact the Securities Division of the
23 Arizona Corporation.

24 25. The PENNYS represented to an offeree that they had investors in California,
25 Michigan and Minnesota. The PENNYS further stated that they were working with individuals in
26 Arizona but do not have any investors in Arizona.

27. It appears in the PENNYS' website that they may be offering another investment opportunity. PENNY PROPERTIES website indicates that they are seeking "Financial Partners" to finance construction of two homes in Michigan. Although the Financial Partner does not invest cash, the Financial Partner must have sufficient credit to obtain mortgages for the projects. Once the properties sold, the Financial Partner would receive a profit on their investment. The website indicates that Financial Partners would receive an "infinite return on investment."

IV.

VIOLATION OF A.R.S. § 44-1841

(Offer and Sale of Unregistered Securities)

14 28. From about 2002, RESPONDENTS offered or sold securities in the form of notes
15 and/or investment contracts, within or from Arizona.

16 29. The securities referred to above were not registered pursuant to Articles 6 or 7 of the
17 Securities Act.

18 30. This conduct violates A.R.S. § 44-1841.

V.

VIOLATION OF A.R.S. § 44-1842

(Transactions by Unregistered Dealers or Salesmen)

22 31. RESPONDENTS offered or sold securities within or from Arizona while not
23 registered as dealers or salesmen pursuant to Article 9 of the Securities Act.

24 32. This conduct violates A.R.S. § 44-1842.

VI.

VIOLATION OF A.R.S. § 44-1991**(Fraud in Connection with the Offer or Sale of Securities)**

33. In connection with the offer or sale of securities within or from Arizona, RESPONDENTS directly or indirectly: (i) employed a device, scheme or artifice to defraud; (ii) made untrue statements of material fact or omitted to state material facts which were necessary in order to make the statements made not misleading in light of the circumstances under which they were made; or (iii) engaged in transactions, practices or courses of business which operated or would operate as a fraud or deceit upon offerees and investors. RESPONDENTS' conduct includes, but is not limited to, the following:

- a) RESPONDENTS fail to disclose the risk involved with the 5 Years to Freedom Program and in fact, represent the program has little or no risk. In at least one circumstance, an investor has not received the required payments for at least three months.
- b) RESPONDENTS misrepresented to at least one offeree that the investment opportunities offered by the RESPONDENTS are not securities and do not have to be licensed when in fact; RESPONDENTS were specifically told by a regulatory agency that their product was a security and needed to be licensed.
- c) RESPONDENTS misrepresent to offerees that RYM would invest the investment funds and receive 15 to 20 percent return per week.
- d) RESPONDENTS misrepresent that the investment program is guaranteed when in fact the note signed by the investor and RYM indicate that there is no guarantee of performance.
- e) TERRY PENNY informs offerees that if RYM was unable to obtain a return on the investment funds sufficient to pay the mortgage payments and the balloon payments the Note guarantees payment of the principal plus 7% interest. TERRY PENNY has indicated to at least one offeree that RYM had never failed to make the monthly or

balloon payments as represented. In fact, at least one investor has not received the monthly payments as represented for at least three months.

34. This conduct violates A.R.S. § 44-1991.

35. RESPONDENTS RYM and DANIEL made, participated in or induced the sale and purchase of securities within the meaning of A.R.S. § 44-2003(A). Therefore, RESPONDENTS RYM and DANIEL are jointly and severally liable for the above violations of A.R.S. §§ 44-1991 44-1841 and 44-1842.

XII.

TEMPORARY ORDER

Cease and Desist from Violating the Securities Act

THEREFORE, based on the above allegations, and because the Commission has determined that the public welfare requires immediate action,

IT IS ORDERED, pursuant to A.R.S. §§ 44-2032 and A.A.C. R14-4-307, that the RESPONDENTS, their agents, servants, employees, successors, assigns, and those persons in active concert or participation with them CEASE AND DESIST from any violations of the Securities Act.

IT IS FURTHER ORDERED that this Temporary Order to Cease and Desist shall remain in effect for 180 days unless sooner vacated, modified or made permanent by the Commission.

IT IS FURTHER ORDERED that this Order shall be effective immediately.

XIII.

REQUESTED RELIEF

The Division will request that the Commission grant the following relief against RESPONDENTS:

1. Order RESPONDENTS to permanently cease and desist from violating the Securities Act, pursuant to A.R.S. § 44-2032;

2. Order RESPONDENTS to take affirmative action to correct the conditions resulting from their acts, practices or transactions, including a requirement to make restitution pursuant to A.R.S. § 44-2032;

3. Order RESPONDENTS to pay the state of Arizona administrative penalties of up to five thousand dollars (\$5,000) for each violation of the Securities Act, pursuant to A.R.S. § 44-2036;

4. Order that the marital community of PERRY and TERRY PENNY be subject to any order of restitution, rescission, administrative penalties, or other appropriate affirmative action pursuant to A.R.S. § 25-215;

5. Order that the marital community of FELIX L. DANIEL and JANE DOE DANIEL be subject to any order of restitution, rescission, administrative penalties, or other appropriate affirmative action pursuant to A.R.S. § 25-215; and

6. Order any other relief that the Commission deems appropriate.

XIV.

HEARING OPPORTUNITY

RESPONDENTS may request a hearing pursuant to A.R.S. § 44-1972 and A.A.C. Rule 14-4-307. **If any RESPONDENT or RESPONDENT SPOUSE requests a hearing, the RESPONDENT must also answer this Temporary Order and Notice.** A request for hearing must be in writing and received by the Commission within 20 days after service of this Temporary Order to Cease and Desist. Each RESPONDENT must deliver or mail the request for hearing to Docket Control, Arizona Corporation Commission, 1200 West Washington, Phoenix, Arizona 85007. A Docket Control cover sheet must also be filed with the request for hearing. A cover sheet form and instructions may be obtained from Docket Control at (602) 542-3477 or on the Commission's Internet web site at www.cc.state.az.us/utility/forms/index.htm.

If a request for hearing is timely made, the Commission shall schedule a hearing to begin 10 to 30 days from the receipt of the request unless otherwise provided by law, stipulated by the parties, or ordered by the Commission. **Unless otherwise ordered by the Commission, this Temporary**

1 **Order shall remain effective from the date a hearing is requested until a decision is entered.**

2 After a hearing, the Commission may vacate, modify or make permanent this Temporary Order,
3 with written findings of fact and conclusions of law. A permanent Order may include ordering
4 restitution, assessing administrative penalties or other action.

5 If a request for hearing is not timely made, the Division will request that the Commission
6 make permanent this Temporary Order, with written findings of fact and conclusions of law, which
7 may include ordering restitution, assessing administrative penalties or other relief.

8 Persons with a disability may request a reasonable accommodation such as a sign language
9 interpreter, as well as request this document in an alternative format, by contacting Linda Hogan,
10 Executive Assistant to the Executive Director, voice phone number 602/542-3931, e-mail
11 lhogan@azcc.gov. Requests should be made as early as possible to allow time to arrange the
12 accommodation.

13 **XV.**

14 **ANSWER REQUIREMENT**

15 Pursuant to A.A.C. R14-4-305, if any RESPONDENTS or RESPONDENT SPOUSE
16 requests a hearing, the RESPONDENTS or RESPONDENT SPOUSE must deliver or mail an
17 Answer to this Temporary Order and Notice to Docket Control, Arizona Corporation Commission,
18 1200 W. Washington, Phoenix, Arizona 85007, within 30 calendar days after the date of service of
19 this Temporary Order to Cease and Desist and Notice of Opportunity for Hearing. A Docket
20 Control cover sheet must accompany the Answer. A cover sheet form and instructions may be
21 obtained from Docket Control by calling (602) 542-3477 or on the Commission's Internet web site
22 at www.cc.state.az.us/utility/forms/index.htm.

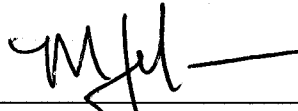
23 Additionally, the RESPONDENTS OR RESPONDENT SPOUSE, must serve the Answer
24 upon the Division. Pursuant to A.A.C. R14-4-303, service upon the Division may be made by
25 mailing or by hand-delivering a copy of the Answer to the Division at 1300 West Washington, 3rd
26 Floor, Phoenix Arizona, addressed to Wendy Coy, Senior Counsel.

1 The Answer shall contain an admission or denial of each allegation in this Temporary
2 Order and Notice and the original signature of each RESPONDENT, RESPONDENT SPOUSE or
3 the RESPONDENT's attorney. A statement of a lack of sufficient knowledge or information shall
4 be considered a denial of an allegation. An allegation not denied shall be considered admitted.

5 When RESPONDENTS or RESPONDENT SPOUSE intends in good faith to deny only a
6 part or a qualification of an allegation, the RESPONDENTS or RESPONDENT SPOUSE shall
7 specify that part or qualification of the allegation and shall admit the remainder. The
8 RESPONDENTS or RESPONDENT SPOUSE waives any affirmative defense not raised in the
9 answer.

10 The officer presiding over the hearing may grant relief from the requirement to file an
11 Answer for good cause shown.

12 BY ORDER OF THE ARIZONA CORPORATION COMMISSION, this 22 day of
13 January, 2007.

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16 Matthew J. Neubert
17 Director of Securities

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